



## **OXFORD ANALYTICA**

# **SOUTH AFRICA**

# **MONETARY TRANSPARENCY**

**Country Report 2005**

Copyright © December 2005

Oxford Analytica Ltd  
5 Alfred Street  
Oxford OX1 4EH

Any reproduction in whole or in part without  
the written consent of Oxford Analytica Ltd  
is strictly forbidden.

# REPUBLIC OF SOUTH AFRICA



## COMPLIANCE RATINGS

<i>Monetary transparency</i>	2005	2004	2003	2002
Clarity of roles	••••	••••	••••	••••
Open decision process	•••••	•••••	•••••	•••••
Availability of information	••••	••••	••••	••••
Central bank accountability	••••	••••	••••	••••
<b>Score</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>

## OUTLOOK & COMMENTARY

The South African Reserve Bank (SARB) continues to improve the implementation of standards and regulations in compliance with the provisions of the IMF Special Data Dissemination Standard (SDDS). The objectives of monetary policy, and the underlying macroeconomic assumptions employed, are clearly presented to the public, and the SARB continues to enjoy a strong reputation for independence.

Further progress would be welcomed in developing transparency criteria, but provisions to help in this area are contained in amendments to the SARB Act.

## EXECUTIVE SUMMARY

### 4.25 Compliance in progress

South Africa continues to enjoy a very high degree of monetary policy transparency and the South African Reserve Bank (SARB) has made further progress towards full compliance with the IMF monetary transparency codes. The central bank continues to be operationally independent from the government. Statements and publications of the SARB have been refined and there have been further efforts to explain monetary policy decisions more clearly.

The SARB continues to comply with the IMF Special Data Dissemination Standard (SDDS) and disseminates a wide range of timely information on the analytical accounts of the central bank. It continues to improve the range, quality and depth of information available to the public and provides excellent public information services, while being subject to rigorous independent audit. Furthermore, the SARB has made significant progress in 2005 with regulatory issues, such as preparing for the implementation of Basle II in 2008.

Compliance with certain transparency codes, however, requires further urgent amendments to the SARB Act. These include the description of the agency roles performed by the central bank. Despite the recent formation of standing committees to structure the consultative relationship between the SARB and the National Treasury, the exchange of policy information still needs to be more open. This also applies to the contents of correspondence on policy between the SARB and the Treasury. More information could be provided on the SARB's econometric model and its inflation forecast. The SARB Act has also become outdated in terms of the implementation of the South African Statements of Generally Accepted Accounting Practice (GAAP). In addition, the Act needs to specify the dismissal criteria for the governors, directors of the board, and members of the Monetary Policy Committee. It should also specify the terms and conditions of loans to the government. Other recommendations are to separate the positions of the governor and the chairperson of the SARB Board and to publish the voting record of the Monetary Policy Committee.

South Africa's overall score is unchanged from last year.

## 1. CLARITY OF ROLES, RESPONSIBILITIES AND OBJECTIVES OF CENTRAL BANKS



Compliance in progress

### The objectives and institutional framework of monetary policy

The legal framework within which the SARB operates has remained unchanged in 2005. The constitution assigns responsibility for the formulation and implementation of monetary policy to the South African Reserve Bank (SARB).<sup>1</sup> The SARB Act (Act No 90 of 1989) governs the operation of the central bank itself. This act was amended in 1997 (SARB Amendment Act, No 39 of 1997). The central bank is considering whether to propose further amendments to the SARB Act, but the process is at an early stage and it may well take a number of years before any specific steps are taken.<sup>2</sup> Other legislation relating to the financial sector includes the Banks Act (1990) and the Mutual Banks Act (1993).<sup>3</sup>

#### Central bank objectives and responsibilities

The SARB continues to “regard its primary goal in the South African economic system as the achievement and maintenance of price stability”.<sup>4</sup> This is recognised and assigned to the central bank both in terms of national economic policy and in the SARB Act.<sup>5</sup> The SARB sees for itself an important role to play in the overall stability of the financial system. As such, the SARB monitors the developments in all sectors of the financial system to spot signs of potential imbalances that could have adverse effects on the soundness of the financial system. (The results of this monitoring are published in the *Financial Stability Review*.) Price stability is now clearly framed as the central bank’s main objective.<sup>6</sup>

#### Operational autonomy

The Minister of Finance continues to set the goals of monetary policy, in particular the inflation target. The SARB therefore does not enjoy goal-setting independence. The central bank remains, however, operationally independent, able to decide upon the instruments used to achieve the goals of monetary policy. All changes in the monetary policy stance deemed necessary by the central bank to achieve its objectives are still clearly within its decision-making domain.

Despite the monetary and fiscal policy-making powers being clearly separated in South Africa, regular consultation between the SARB and the Treasury take place on the inflation-targeting framework, which was formally set and announced by the Treasury, but implemented by the SARB. The target band and level, however, is jointly determined with SARB officials and both sides have remained strongly committed to it. A transparency shortcoming is that the criteria for the removal from office of SARB directors, the governor and monetary policy committee members are still not stipulated in the SARB Act, and there is still no explicit conflict resolution mechanism between the government and the SARB.<sup>7</sup>

## **Institutional relationship between monetary and fiscal operations**

### **Lending to government**

The Reserve Bank may purchase government securities only up to an amount not exceeding its paid-up capital and reserve fund; plus one-third of its liabilities to the public.<sup>8</sup> The statement of assets and liabilities for October 2005 does not show the holdings of government securities<sup>9</sup>, which is affected by the central bank's various dealings in the capital markets and in particular the selling of bonds internationally.

Loans by the SARB to the government sector totalled 264 million South African rand in October 2005, down from R282 million in October 2004.<sup>10</sup> The SARB Act still does not specify the conditions and terms of such loans, only the limit. Central bank officials have reinforced the previously stated position that its policy remains not to lend to the government in the conventional sense.<sup>11</sup>

Following the elimination of the oversold forward position by purchasing foreign exchange in the domestic foreign exchange market in May 2003, a "surplus" or over-purchased balance had been recorded for some time. The oversold forward book was finally closed out during February 2004.<sup>12</sup> This positive forward position has continued to support the strengthening of the SARB's gross gold and foreign exchange reserves. The central bank has reiterated the view that it does not target a specific level of foreign reserves or a time frame within which a particular level of reserves should be achieved.<sup>13</sup> In 2005 the SARB steadily increased its holdings of official gold and foreign exchange reserves from 8.3 billion US dollars in February 2004 to 19.79 billion in October 2005.<sup>14</sup>

### **Central bank involvement in the rest of the economy**

The national government deficit before borrowing as a ratio of GDP amounted to 1.5% in the 2004-5 fiscal year. The greater part of the net borrowing requirement was financed through the issuance of bonds in the domestic capital market. The Treasury also issued new fixed-income bonds.<sup>15</sup> An agreement reached in 2003 between the Treasury and the SARB enables the central bank to restructure its holdings of interest-bearing government bonds (held in its monetary policy portfolio) by switching some of these bonds for other government bonds and/or through the outright sale of certain bonds.<sup>16</sup>

The relationship between the SARB and its four subsidiaries, that is, the Corporation for Public Deposits, the South African Mint Company, the South African Bank Note Company, and the SARB Captive Insurance Company has continued largely unchanged in 2005.<sup>17</sup> The SARB's financial interest in these subsidiaries is reported in its annual Financial Report, which is available on its website.<sup>18</sup>

The SARB Act still forbids the purchase of shares of loans in any bank, or granting loans backed by such shares, without the consent of the minister of finance.<sup>19</sup>

### **Central bank profit allocation**

To date, the SARB remains one of nine central banks in the world whose shares are privately held.<sup>20</sup> The annual dividends payable to shareholders remain limited to 10 cents per share per annum.<sup>21</sup> During the 2004-05 financial year, the central bank's total balance sheet increased from R108 billion at the end of March 2004 to R128 billion at the end of March 2005.

In terms of the SARB Act, one-tenth of the surplus of the central bank, after provisions normally provided for, must be credited to the statutory reserve fund. Further to this, contingency reserves are also maintained to protect the

SARB, the Corporation for Public Deposits and the Captive Insurance Company against risks. Bond revaluation and plant replacement reserves are also kept.<sup>22</sup> The remaining surplus of the SARB, after provisions normally provided for and payment of dividends, are paid to the government under the terms of the SARB Act.<sup>23</sup>

The over-the-counter-share transfer facility introduced in 2002 after the SARB de-listed from the Johannesburg Securities Exchange continues to function satisfactorily and during the past financial year, twenty transactions were concluded with 63600 shares changing hands. To further improve the system it was decided at a recent board meeting to introduce daily trading. This came into effect as from 1 October 2005. At the end of June 2005, the central bank had 620 shareholders.<sup>24</sup>

### **Agency roles performed by the central bank on behalf of the government**

In the absence of any relevant legislative amendments during 2005, the agency roles of the SARB on behalf of the government are still not explicitly described in the Reserve Bank Act, although the descriptions which appear on the SARB's website do give good detail. These agency functions, which include assistance in the formulation of government debt-management strategies, administering the auctions of government bonds and Treasury bills, and surveying primary dealers in government bonds, have not changed during the year. The functions of "government banker" and the administration of exchange controls also remain in place.<sup>25</sup> Publications covering the current exchange control regulations are available on the SARB's website.

Since 1995 the government has followed a policy of gradual liberalisation of exchange controls. In his medium term budget policy statement on 25 October 2005 the minister of finance announced further relaxations. These include raising the foreign exposure limits applicable to collective investment schemes and investment managers. These steps complement those announced last year, which include the abolition of exchange control limits on new outward foreign direct investment by South African companies and allowing them to retain foreign dividends offshore. Furthermore, foreign companies, governments and institutions have also been allowed to list on South Africa's bond and securities exchanges since 2004, whereas South African private citizens have been able to invest, without restriction, in inward listed instruments on the South African exchanges.<sup>26</sup> In what appears to be a more radical view, the governor of the SARB has been reported this year as proposing a more rapid scrapping of exchange controls.

There remains scope for the agency functions of the SARB and the communication with the National Treasury to be more clear and transparent. As a step in this direction, several committees involving central bank staff and the Treasury were recently established to ensure clear bilateral communication between the two policy-making bodies and to harmonise policy issues. Three standing committees (covering banking and financial markets, financial and regulatory issues, and macroeconomic issues) were established, as well as sub-committees on inflation targeting and international affairs.<sup>27</sup>

## 2. OPEN PROCESS FOR FORMULATING AND REPORTING MONETARY POLICY DECISIONS

●●●●● Full compliance

### The framework, instruments, and targets of monetary policy

#### Framework and monetary targets

Since the introduction of an inflation-targeting monetary policy framework in 2000, the SARB has continued to develop and strengthen it. The goals, variable targeted, specification of the target and future outlook of this framework remain firmly in place and are being communicated on the SARB's website.

The SARB continues to broaden the range of information supplied on the inflation-targeting framework and the inflation process. For example, the most recent *Monetary Policy Review* covers in detail the factors affecting inflation and the inflation outlook, illustrating these by use of a fan chart. This is to demonstrate that the monetary policy stance is consistent with the target. Information on the macroeconomic model used by the SARB is, however, still not made available to the public, which results in the intermediate target not being clearly observable from the fan chart.<sup>28</sup> Market participants and academics therefore continue to argue that transparency of the model would provide better insight of monetary policy.<sup>29</sup>

The exchange rate system in South Africa is still a flexible one in which the SARB avoids intervention in the foreign exchange market for the purposes of achieving a particular level of the exchange rate. The value of the rand therefore remains market determined.<sup>30</sup>

#### Monetary instruments

The repurchase system of monetary control introduced in 1998 has remained in place. In addition, the SARB continues to employ standard instruments of monetary policy such as minimum cash reserve requirements and open market operations. The SARB balance sheet as at 31 October 2005 shows accommodation to the banking sector through repurchase agreements of R12 billion, which amounts to 7.5% of the SARB's total assets.<sup>31</sup>

As from May 2005, the central bank introduced certain modifications to the repurchase system, mainly to reduce the daily involvement of the SARB in influencing money market liquidity in order to facilitate a better functioning interbank market and liquidity management by banks. The estimated average liquidity requirement for the week, as well as the estimated range within which the daily liquidity requirement is expected to fluctuate, are now announced prior to the weekly auctions on Wednesdays. The final clearing facilities have also been replaced by standing facilities at the central bank. These provide access to overnight repurchase facilities for all banks at 50 basis points below or above the repurchase rate for surplus or deficit positions, respectively. The changes streamline the refinancing procedures of the central bank by making them simpler and more transparent.<sup>32</sup> There is a general perception that the implementation of these changes has improved the overall operation and efficiency of the control system.<sup>33</sup>

## **The monetary policy-making body**

### **Monetary board**

The composition and operation of the Monetary Policy Committee (MPC) have remained largely unchanged in 2005. One vacancy was filled this year through the appointment of a new deputy governor, following a resignation the year before. Membership of the committee continues to be drawn only from within the SARB. The present SARB Act does not list the criteria for appointment to or dismissal from the MPC. Academics and commentators feel that the committee should have members from the private sector and/or universities.<sup>34</sup> The task of the MPC remains to decide on the monetary policy stance with a focus on the inflation targets that must be met.<sup>35</sup>

The members of the MPC and an advance schedule of meetings are listed on the SARB's website. The system of bi-monthly meetings has remained in place in 2005. No unscheduled meetings were called this year. The market has therefore continued to have a clear timeframe for when to expect the next decision on the monetary policy stance.

The practice of releasing a statement to the press at the end of each MPC meeting has continued in 2005. This statement gives the view of the committee and covers the inflation outcome, including the role of particular inflation drivers; the inflation outlook as determined by the SARB's model; and the monetary policy decision.<sup>36</sup> The SARB still does not publish either the full minutes of MPC meetings, or the voting record of committee members. Regarding the latter, the present SARB Act does not allow scope for formal voting at MPC meetings. Informal voting does take place, but the record is neither kept nor published.<sup>37</sup> Views from analysts on this point are mixed. Several analysts have endorsed their previous support for this policy.<sup>38</sup>

### **Advance meeting schedule**

The meeting schedule of the Monetary Policy Committee is published in advance for a year at a time. The details are available on the SARB's website.<sup>39</sup>

## **Public statements on monetary policy**

### **Periodic publications**

The SARB continues to make quality and in-depth information available through its regular publications such as the *Quarterly Bulletin* and the *Monetary Policy Review*. The former covers the international and domestic economic trends, the national accounts, the financial markets, the public sector, inflation and monetary policy. The latter focuses almost entirely on the causes of inflation, indicators and measurement of inflation, as well as the inflation outlook. It also covers the SARB's inflation forecast in terms of its econometric model as well as the findings of a survey on inflationary expectations.<sup>40</sup>

Several other publications appear on the SARB's website, such as statements on policy, media releases and research papers. The *Annual Report* covers broader assessments of underlying macroeconomic trends and of the SARB's progress in meeting the monetary policy target. The SARB's econometric model used to forecast inflation is not made available, and in the absence of model details, some market participants and analysts have found the fan chart confusing and unconvincing.<sup>41</sup> The SARB should therefore consider publishing the model in the interest of transparency.



The SARB contributes to a transparent discourse concerning financial stability through the ongoing publication of the *Financial Stability Review*, which is published bi-annually.<sup>42</sup> Based on a system of financial soundness indicators, the SARB monitors developments in all sectors of the financial system and its household and corporate counterparts to identify any signs of potential imbalances in the economy that could have adverse effects on the financial system.<sup>43</sup>

### **Public hearings**

The SARB reports on monetary policy decisions to the Treasury and the parliamentary Portfolio Committee on Finance, and these reports are covered in the press.<sup>44</sup> The Research Department of the SARB is making further progress in establishing links with academics at South African universities in the field of macroeconomic modelling. The intention is to get wider input and consultation on aspects of the SARB's econometric model and inflation forecast.<sup>45</sup>

Monetary Policy Forums continue to be held twice a year in the major cities. In the past, attendance at these forums has been low at times, but the central bank's intention is to continue them. The forums perform an important transparency function since the emphasis has shifted almost entirely to inflation. The SARB details explicitly during the forum, the causes of, and outlook for, inflation and the related monetary policy stance. As such, the forums continue to follow the *Monetary Policy Review* since 2004. The audiences comprise academics and representatives from organised business and labour.

### **Regulations on data reporting by financial institutions to the central bank**

The SARB remains committed to a regulatory environment based on international best practice. According to this focus, the preparation for the implementation of the new system of risk management and capital controls (or Basel II) has become increasingly important. As from January 2008, South African banks will no longer be allowed to use the current capital accord. This year, the SARB's bank supervision department also continued to intensify its scrutiny of sound corporate governance procedures within the banking industry.<sup>46</sup> Following the progress made the year before, the rand was finally included in the Continuous Linked Settlement (CLS) system to reduce foreign exchange settlement risk in December 2004. Related to this, the central bank has continued to enhance the safety and soundness of the National Payment System (NPS) by developing its payment system oversight capacity.<sup>47</sup>

During the year the central bank was also involved in implementing the Financial Intelligence Centre Act aimed at preventing banks from being used as vehicles for money laundering. The debate a few years ago on the issue of the possible creation of a single-regulator modelled on the UK's Financial Services Authority, seems to have been settled in favour of bank supervision remaining as part of SARB's responsibilities.<sup>48</sup> The most recent IMF report on South Africa regarded the banking system as "fundamentally sound".<sup>49</sup> This follows a report in 2004 saying there was a high degree of compliance with the Basel Committee's Core Principles for effective banking supervision.<sup>50</sup>

Specific developments around the implementation of bank supervision policies continue to be discussed in the reports of the Bank Supervision Department.<sup>51</sup> Changes in bank legislation include the National Credit Bill (which will replace the Usury Act of 1968 and the Credit Agreements Act of 1980) tabled in parliament during June 2005. This act will apply to all credit transactions and providers and aims to enhance consumer protection, promote competition and transparency and control over-indebtedness and reckless lending.<sup>52</sup>

### 3. PUBLIC AVAILABILITY OF INFORMATION ON MONETARY POLICY



Compliance in progress

#### Release of central bank data

The range, depth and intervals of release of SARB information and statistical data have remained largely unchanged in 2005.

The SARB remains in a strong position regarding the dissemination of economic and financial data and meets the necessary IMF criteria.<sup>53</sup> The IMF's recent recommendations regarding a more transparent reporting on international reserves and a consistent method for the valuation of gold have now been implemented. A formal process involving the National Treasury was concluded in March 2005, whereby the definition of the statutory gold price was revised to reflect the market value of gold reserves. This change brings the market value of gold reserves in line with international practice and reporting requirements.<sup>54</sup> According to the IMF, the quality and timeliness of South Africa's reporting on economic and financial data are generally satisfactory for surveillance purposes, but weaknesses remain in the reporting of key labour market data.<sup>55</sup>

The accounting standards of the SARB and its subsidiaries are in accordance with Generally Accepted Accounting Principles (GAAP), which the central bank had decided to comply with in 2003. Certain statutory requirements contained in the SARB Act, however, differ from GAAP. These requirements deal mainly with the treatment of gains and losses arising from changes in the international value of the rand on assets and liabilities held in other currencies and gains and losses on gold as a result of changes in the price of gold.<sup>56</sup> The SARB now complies in all other respects with the requirements of GAAP.

#### The central bank balance sheet

The SARB balance is easily accessible to the public, being published in regular documentation of the SARB such as the *Quarterly Bulletin* and the *Annual Report and Financial Statement*. The consolidated monthly *Statement on Assets and Liabilities* remains available on the SARB website.<sup>57</sup> The information used for the IMF SDDS releases is obtained from this statement.

The loans and advances indicated in the balance sheet still give only the details on aggregate lending to the banking and government sectors and do not show the provision of emergency funds. As required by the IMF, the SARB continues to issue a monthly breakdown of its gold and foreign exchange reserves. This notice also provides details of the level of outstanding foreign loans and any foreign exchange forward position. As from 2005, gold reserves are valued at the market price.<sup>58</sup>

#### Lender of last resort

The stated policy of the SARB in terms of providing support to banks in distress has remained in place. In cases of temporary liquidity problems, Lender Of Last Resort (LOLR) financial assistance remains against collateral only. Preconditions for such assistance are clearly defined in the publications of the SARB.<sup>59</sup> The categories qualifying for LOLR assistance are liquidity problems; solvency due-diligence audits; banks solvent and systemically significant; banks solvent, but not systemically significant; banks not solvent, but systemically significant; and banks neither

solvent, nor systemically significant.<sup>60</sup> Additional detail on the type of LOLR assistance provided was published by the SARB last year.<sup>61</sup> The exit policies applied in cases where institutions move from being illiquid to insolvent have also been more clearly described since 2004.

### **Public information services**

The SARB has maintained its excellent standards for statistical, macroeconomic and monetary policy information. This information is easily available to the public via the SARB's website. Academic and market commentators agree that the SARB has made increasing efforts to give reasons for policy decisions and to increase the public's understanding of monetary policy.<sup>62</sup>

The current national accounts of the SARB are according to the system of integrated economic accounts (IEA) and were upgraded in 2005. As such, the base-year for constant price time series was changed from 1995 to 2000.

## 4. ACCOUNTABILITY AND ASSURANCE OF INTEGRITY BY THE CENTRAL BANK



Compliance in progress

### Accountability before designated public authority

The regulations and practices regarding the SARB's accountability for monetary policy have remained unchanged in 2005. These include the governor's annual report on monetary policy to the minister of finance, the publication of the central bank's assets and liabilities on a monthly basis and the quarterly appearance of the governor and senior official before the parliamentary Portfolio Committee on Finance. The statutory accountability of the SARB in terms of its monetary policy operations is to parliament. It also remains stipulated in the SARB Act that the minister of finance can institute corrective action in the event of SARB failing to comply with any of the provisions or regulations of the Act.

The private shareholding of the central bank continues to provide an additional accountability mechanism through the annual reporting of SARB activities and policies at the annual ordinary general meeting of shareholders. This gives an additional dimension to the SARB's transparency. Market participants and academics, however, hold the view that this channel of accountability would be made significantly more relevant and meaningful if the positions of governor and chairperson of the board were separated.<sup>63</sup> In this regard, future changes to the SARB Act should be guided by the principles of the King Report on Corporate Governance and the relevant IMF guidelines.<sup>64</sup>

The monetary policy accountability mechanism of the SARB does not have a penal clause. The recent change from "escape" to "explanation" clause in the inflation-targeting framework has remained in place.<sup>65</sup>

### Financial statement

#### Audited financial statement

The SARB continues to publish an independently audited financial statement. The financial year ends on 31 March. An overview of the Annual Report and Financial Statements was published on 25 July 2005.<sup>66</sup> The accounting policies have remained unchanged from the previous year, except for changes made as a result of the adoption of accounting statement AC 133, which deals with the recognition and measurement of financial instruments.<sup>67</sup>

#### External and internal audit

The Internal Audit Department of the SARB (IAD) undertakes most of the groundwork of the audit function and is accountable to the Audit Committee of the SARB Board. Administratively, the IAD reports to one of the deputy governors. The scope of the internal audit work is restricted to the "assessments of the various components of the system of control, focusing on the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations contracts and procedures".<sup>68</sup>

### Conduct of officials

The SARB's staff manual, which provides a comprehensive code of conduct for SARB employees, has been subject to a revision since 2004. The Governor's Committee has now approved a proposed new staff manual and a

consultation team was appointed in 2005 to assist in the process.<sup>69</sup> The purpose is to modernise staff policies and, where needed, bring them in line with general practice in the market.<sup>70</sup> According to the SARB Act, all SARB employees and officials are indemnified by the SARB for performing their duties, other than through negligence or dishonesty. According to the Banks Act, the SARB and its staff hold no liability “for any loss sustained by or damage caused by any person as a result of anything done or omitted by such member, the registrar or such other officer or employee in the bona fide performance of any function or duty under the Banks Act.”<sup>71</sup>

## INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to South Africa between 17 and 18 October 2005:

### The South African Reserve Bank

#### 17 October 2005

Bernie de Jager	Consultant	Research Department
Anton Casteleijn	Senior Economist	Research Department
Hendrik Nel	Assistant General Manager	Financial Stability Department

### The National Treasury

#### 17 October 2005

Neil Cole	Chief Director	Expenditure Planning, Budget Office
Alexandra Bychkova	Deputy Director	Expenditure Planning, Budget Office
Hennie Swanepoel	Chief Director	Public Finance Statistics, Budget Office
Matthew Simmonds	Director, Fiscal Analysis	Budget Office
Joan Stott	Senior Policy Advisor	Budget Office

## ADDITIONAL INTERVIEWS

#### 17 October 2005

Philip Mohr	Professor of Economics	UNISA
-------------	------------------------	-------

#### 18 October 2005

Annabel Bishop	Senior Economist	Investec Bank
----------------	------------------	---------------

## CONFERENCE CALLS

Noekie Steyn	Director	Tax Policy, National Treasury
Pierre Faurse	Investec Professor	Rhodes and Fort Hare Universities
Stan du Plessis	Associate Professor of Economics	Stellenbosch University

## NOTES

<sup>1</sup> Current legislation pertaining to the SARB is contained in the SARB Act (Act No. 90 of 1989). See also Van der Merwe, *Monetary Policy Operating Procedures in South Africa*, [www.bis.org](http://www.bis.org)

<sup>2</sup> Interviews in South Africa, 17-18 October 2005.

<sup>3</sup> See SARB, Bank Supervision Department, *Annual Report* 2004.

<sup>4</sup> SARB, *Financial Stability Review*, March 2004, p.1.

<sup>5</sup> [www.resbank.co.za](http://www.resbank.co.za)

<sup>6</sup> "Mission Statement" at [www.resbank.co.za](http://www.resbank.co.za); interviews in South Africa, 17-18 October 2005

<sup>7</sup> G.M. Wessels, "Comparing the Evolving Independence of the European Central Bank and the South African Reserve Bank" *South African Journal of Economics*, Vol. 70(6), pp. 955-981.

<sup>8</sup> See SARB Act, Article 13 (f).

<sup>9</sup> SARB, *Statement of Assets and Liabilities*, October 2005, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>10</sup> SARB, *Statement of Assets and Liabilities*, October 2005, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>11</sup> Interviews in South Africa, 17-18 October 2005.

<sup>12</sup> SARB, *Governor's Address*, 24 August 2004, p.1.

<sup>13</sup> SARB, *Governor's Address*, 24 August 2005, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>14</sup> SARB, *Information Notice on the official gold and foreign exchange reserves of the SARB* at 31 October 2005, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>15</sup> SARB, *Annual Economic Report*, 2005, p.78.

<sup>16</sup> SARB and National Treasury, "Strategy for dealing with the outstanding balance on the gold and foreign exchange contingency reserve account", Joint press statement, 20 October 2003.

<sup>17</sup> Interviews in South Africa, 17-18 October 2005.

<sup>18</sup> [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>19</sup> SARB Act, Article 13 (b).

<sup>20</sup> SARB Act, Article 24.

<sup>21</sup> Section 24 of the SARB Act, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>22</sup> For detail on these reserves, see SARB *Annual Report and Financial Statements*, 2004, p.48.

<sup>23</sup> Section 24 of the SARB Act.

<sup>24</sup> SARB, *Governor's Address*, 24 August 2005, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>25</sup> *Exchange Control Manual*, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>26</sup> SARB, *Exchange Control Circular No. D.443*, 26 October 2004, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>27</sup> Interviews in South Africa, 17-18 October 2005.

<sup>28</sup> Du Plessis, SA, "Proposals for strengthening the SARB's Inflation Targeting Regime" *South African Journal of Economics*, March 2005.

<sup>29</sup> Interviews in South Africa, 19-20 October 2004.

<sup>30</sup> SARB, *Governor's Address*, 24 August 2004, p.8.

<sup>31</sup> SARB, *Statement of Assets and Liabilities*, 31 October 2005, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>32</sup> SARB, *Governor's Address*, August 2005, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>33</sup> Interviews in South Africa, 17-18 October 2005.

<sup>34</sup> Interviews in South Africa, 17-18 October 2005.

<sup>35</sup> See A.J.H. Casteleijn, *South Africa's Monetary Policy Framework*, [www.reservebank.co.za](http://www.reservebank.co.za) 2001.

<sup>36</sup> All MPC statements appear on the SARB's website: [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>37</sup> Aron and Muellbauer (2000) in SA de Plessis, "Proposals for Strengthening the SARB's inflation Targeting Regime", *South African Journal of Economics*, March 2005.

<sup>38</sup> Interviews in South Africa, 19-20 October 2004. See also Remsperger & Worms, *Transparency in Monetary Policy*, CFS Working Paper, No. 16 of 1999, p. 9.

<sup>39</sup> SARB activities: Monetary policy: Monetary Policy Committee meeting dates, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>40</sup> See SARB, *Monetary Policy Review*, November 2004, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>41</sup> Interviews in South Africa, 19-20 October 2004.

<sup>42</sup> SARB, *Financial Stability Review*, September 2004, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>43</sup> SARB, *Governor's Address*, 24 August 2005. [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>44</sup> See X.P. Guma, *Monetary Policy Transparency and Openness*, 15 October 2002, [www.reservebank.co.za](http://www.reservebank.co.za)

<sup>45</sup> Interviews in South Africa, 19-20 October 2004.

<sup>46</sup> See Myburg Report on "The State of Corporate Governance in the Five Largest Banks", [www.Resbank.co.za](http://www.Resbank.co.za)

- 
- <sup>47</sup> SARB, *Governor's Address*, 24 August 2005, [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>48</sup> The Committee of Investigation into the Promotion of Equal Competition proposed in 1992 that both the Registrar of Banks and the Executive Officer of the Financial Services Board (FSB) should report to an independent financial regulation policy board.
- <sup>49</sup> IMF, *Public Information Notice*, No05/126, September 2005
- <sup>50</sup> The Banks Act (Act No. 94 of 1990) establishes the leading role of the Reserve Bank with regard to licensing and supervising banking institutions. The activities of the Bank Supervision Department within the Reserve Bank are explained in its Annual Report published on the SARB website.
- <sup>51</sup> See SARB, Department of Bank Supervision, *Annual Report*, [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>52</sup> SARB, *Annual Economic Report*, 2005, p.44
- <sup>53</sup> SARB, *Annual Report and Financial Statements*, 31 March 2004, p.22.
- <sup>54</sup> SARB, *Governor's Address*, 24 August 2005, [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>55</sup> IMF, *Article IV Consultation with South Africa, 2003*: [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>56</sup> SARB, *Overview of the Annual Report and Financial Statements ending 31 March 2002*, [www.Resbank.co.za](http://www.Resbank.co.za)
- <sup>57</sup> [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>58</sup> Interviews in South Africa, 17-18 October 2005.
- <sup>59</sup> SARB, *Financial Stability Review*, May 2004, p.31
- <sup>60</sup> SARB, Bank Supervision Department, *Annual Report* 2002, p.12.
- <sup>61</sup> SARB, *Financial Stability Review*, May 2004, p.32.
- <sup>62</sup> Interviews in South Africa, 19-20 October 2004.
- <sup>63</sup> Interviews in South Africa, 18-19 October 2005
- <sup>64</sup> Interviews in South Africa, 19-20 October 2004 and 18-19 October 2005.
- <sup>65</sup> SARB, *Monetary Policy Review*, May 2004, p. 3.
- <sup>66</sup> SARB, *Overview of the Annual Report and Financial Statements*, 25 July 2005, [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>67</sup> SARB, *Annual Report and Financial Statements*, 18 June 2004, [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>68</sup> SARB, *Annual Report and Financial Statements*, 31 March 2004, p.5.
- <sup>69</sup> SARB, *Governor's Address*, 24 August 2005, p.14, [www.reservebank.co.za](http://www.reservebank.co.za)
- <sup>70</sup> SARB, *Governor's Address*, 24 August 2004, p.13.
- <sup>71</sup> Banks Act (1990), Article 88.